



Idaho Legislative Services Office
Legislative Audits Division

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90-DAY FOLLOW-UP REPORT

STATE OF IDAHO – FY 2010 SINGLE AUDIT REPORT

On March 30, 2011, the Legislative Services Office released the federally required *Single Audit Report* for fiscal year 2010. State agencies with findings in this report were contacted in June 2011, and the following describes how each agency has responded to the recommendations.

HEALTH AND WELFARE, IDAHO DEPARTMENT OF

FINDING 2010F-1

Medicaid payments of \$2.5 million were not identified by specific service type as required.

We recommended that the Department increase its efforts to properly identify and report Medicaid payments by specific service types as required and to ensure that the correct federal match rate is claimed.

AUDIT FOLLOW-UP

This amount had grown to approximately \$15 million by the end of fiscal year 2011. However, the Department asserts that all claims associated with the miscellaneous task code have been identified, and work to adjust these claims payments to the correct task code has begun. Medicaid payments of approximately \$1.6 million still remain in the miscellaneous task code.

STATUS – OPEN

FINDING 2010F-2

Existing data imported to the new Medicaid payment system was not tested or evaluated.

We recommended that the Department validate the data imported from the old Medicaid payment system to the new system to identify and correct errors and other irregularities.

AUDIT FOLLOW-UP

There have been several follow-up meetings and discussions between the Department and the auditor to clarify the specific concerns listed in items a) through e) of this finding. Specific updates regarding the work completed and planned to resolve these concerns are listed below:

- a) Of the 74,762 receivable transactions imported into MMIS, only 4,394 were identified by provider number or name. The Department has researched this issue and indicates that some of the transactions without provider information were legitimately blank because there was no provider, such as estates

recovery receivables. Additionally, it has determined that some of the transactions were related to CHIP providers and the information did not cross over from BARS correctly. We will continue to review the accounts receivable reporting process as part of our fiscal year 2011 single audit work.

- b) Provider debt balances were not reduced for payments made through the court system. The Department has not yet addressed this concern.
- c) Of the 317 claims receivable reviewed, 79 of those claims had no activity since January 2009 and another 33 had no activity since January 2010, but were imported into the new system without verifying the status of the receivable balances.

We clarified that we had made a request to the Department for its accounts receivable (AR) tracking reports. The information used for this finding was from a spreadsheet provided by the Department of 317 open ARs from the last available AIM information, compared with another spreadsheet of all open ARs in the new Molina system. The Department asserts that as part of the conversion process, Molina was required to convert every AR from the AIM MMIS to the new Molina MMIS regardless of last activity or receivable balance. These ARs are required in the system for historical purposes. We will review this information within the fiscal year 2011 single audit work to ensure that all accounts receivable balances have been included.

- d) Two accounts receivable balances were imported into the new system with incorrect balances of \$200,000 and \$50,000 and were assigned to incorrect providers.

The Department agrees with this finding. The auditor clarified the accounts associated with this finding. Once this information was provided, the Department determined the associated ARs were converted according to the information that was available in the AIM system at the time of conversion. The auditor further explained that Medicaid staff informed him that data for these two ARs was incorrect in the AIM system. Based on this new information, the ARs will be written off, and notes will be added to the FLEXI system in the new MMIS to explain the data error.

- e) Two providers had balances imported into the new system that were cumulatively more than \$50,000 higher than the balances in the old system. Based on conversations with Medicaid Division staff, no process was in place to verify or test the old data before it was imported into the new system.

The Department would like to clarify that it has processes in place to verify and test data imported into the new MMIS system. However, there was no evidence available at the time of the original report to support that the transactions included in this specific report had been subject to such procedures. The Department and the Molina financial team continue to review the converted ARs associated with these two providers. The Department also continues to refine processes and correct errors as discovered.

STATUS – OPEN

FINDING 2010F-3

Procedures to suspend or debar providers from the Medicaid program are inadequate.

We recommended that the Department implement procedures to suspend or debar providers from participation in the Medicaid program for reasons identified in federal regulations and the State Plan. We also recommended that the Department consistently apply and collect interest in accordance with provider repayment agreements.

AUDIT FOLLOW-UP

- a) The Department indicated it did not have enough information to respond to this finding, related to 299 overpayment receivables.

We clarified that we had made a request to the Department for its accounts receivable (AR) tracking reports. The information used for this finding was from a spreadsheet provided by the Department of 317 open ARs from the last available AIM information, compared with another spreadsheet of all open ARs in the new Molina system.

The Department now asserts that as part of the conversion process, Molina was required to convert every AR from the AIM MMIS to the new Molina MMIS, regardless of last activity or receivable balance. These ARs are required in the system for historical purposes.

As part of our fiscal year 2011 single audit work, we will review the available reports from MMIS to ensure that all appropriate accounts receivable were included in the new system and reevaluate whether adequate procedures have been applied to resolve inactive accounts.

- b) The Department disagrees with this finding as it relates to the 18 provider overpayments handled by the Medicaid Program Integrity Unit.

The Department continues to disagree with this portion of the finding and awaits the determination by the federal program. However, the federal program is developing a nationwide system for all states to enter providers that have been "terminated." The Affordable Care Act also requires any state to bar a provider from participating in Medicaid if that provider has been "terminated" in any other state or by Medicare. The Department is seeking a waiver from the Governor's office to implement this portion of the Affordable Care Act.

- c) The Department agrees that interest is not always applied. The Department is in the process of developing procedures to calculate and collect interest.

STATUS – OPEN

FINDING 2010F-4

Costs of \$4 million claimed as maintenance of effort for the TANF grant are not "qualifying expenditures."

We recommended that the Department analyze TANF Grant expenditures claimed as State maintenance of effort to ensure that only "qualifying expenditures" are included as defined by federal regulations. We also recommended that the Department contact the federal grantor to resolve the amounts claimed during fiscal years 2009 and 2010 that do not meet these requirements, and to complete the review of administrative costs claimed to ensure that the total does not exceed the 15% limit allowed.

AUDIT FOLLOW-UP

We continue to work with the Department and the cognizant federal agency (ACF) regarding the adjustments made for the federal fiscal year 2009 finding. The Department asserts that when the approach and results for federal fiscal year 2009 are agreed upon, the same methodology will be applied to the federal fiscal year 2010 finding.

STATUS – OPEN

FINDING 2010F-5

Contract costs of \$869,000 charged to TANF for child welfare services do not meet eligibility criteria or other requirements.

We recommended that the Department evaluate all costs charged to the TANF Grant program for services provided under the pre-1995 (prior law) State Plan to ensure that eligibility criteria and other requirements are met. We also recommended that the Department contact the federal grantor to resolve the questioned costs identified.

AUDIT FOLLOW-UP

We have met with the Division of Family and Community Services (FACS) and the financial executive officer of Financial Services to discuss the finding and details. FACS has collected all contracts in question and is preparing a comprehensive review of the audit finding in order to provide a proper response to the finding.

STATUS – OPEN

FINDING 2010F-6

Prior errors in allocating indirect costs to TANF are not corrected and continued in fiscal year 2010.

We recommended that the Department complete the reallocation of costs for fiscal years 2008 and 2009 as agreed to by the federal grantor. We also recommended that the Department contact the federal grantor to resolve the questioned cost amounts for fiscal year 2010 and the "maintenance of effort" deficit that will occur once the adjustments are completed.

AUDIT FOLLOW-UP

Final adjustments for fiscal years 2008, 2009, and 2010 were completed and reflected in federal reports filed for that period and as adjustments for prior periods as applicable. We are currently reviewing these adjustments and have some concerns with the supporting documentation.

STATUS – OPEN

FINDING 2010F-7

Prior errors in allocating training costs to the TANF grant remain unresolved and errors continued in fiscal year 2010.

We recommended that the Department adjust the costs charged to the TANF Grant for unsupported allocations for fiscal years 2008 and 2009, and contact the federal grantor to resolve the questioned cost amounts for fiscal year 2010.

AUDIT FOLLOW-UP

Adjustments to correct these errors have not yet been completed.

STATUS – OPEN

FINDING 2010F-8

Critical system reconciliations between the Idaho Child Support Enforcement System (ICSES) and the FISCAL accounting system have not been completed on a timely basis.

We recommend that the Department reestablish the reconciliation between the ICSES and FISCAL systems to ensure that amounts are properly recorded and any errors are detected and corrected.

AUDIT FOLLOW-UP

The Department has made considerable progress with its reconciliations since this finding was written. Reconciliations were prioritized and assigned to Department staff. Some of the highest priority reconciliations have been completely caught up, including five daily and ten monthly reconciliations. In addition, each of these reconciliations has been documented in the Knowledge Management database, to minimize the effects of any future employee turnover.

Of the reconciliations remaining, the most critical to be completed and documented at this time involve the interface between FISCAL and the Medicaid Automated System. Department staff is working closely with Molina staff to identify and resolve system and business process issues affecting these systems.

STATUS – OPEN

FINDING 2010F-9

Significant use of the "miscellaneous" code indicates possible errors in the cost allocation process.

We recommended that the Department evaluate the use of the "miscellaneous" code in the allocation processes to determine whether the coding structure is sufficient to identify activities, or whether additional staff training is needed to improve the accuracy and reliability of the amounts allocated.

AUDIT FOLLOW-UP

To ensure that each participant universe is complete and accurate the Random Moment (RM) administrator will work with program management for review and will update as necessary. In April 2011, the initial list of RM participants was sent from the administrator to the programs for review. This process will continue quarterly.

In addition, the program conducted statewide training in March and April 2011. A refresher course will be conducted annually. The Self Reliance program will monitor the RM results to determine whether results fit the current program process designs. If the RM results show geographical or program related anomalies, the division will pursue additional tracking and effort at that time. Self Reliance management will continue to monitor results on a regular basis and make any changes or recommendations for changes to the survey as needed. We will review the use of the miscellaneous code for fiscal year 2011 before closing this finding.

STATUS – OPEN

FINDING 2010F-10

Child Care Grant costs were not charged to the appropriate funding source and the potential liability for federal interest has not been considered.

We recommended that the Department claim Child Care Development Block Grant costs to the appropriate funding source at the time the costs are incurred. We also recommend that the Department implement a process to evaluate the effect of adjustments on federal funds on-hand to recognize or reduce the potential interest liability owed to the federal grantor.

AUDIT FOLLOW-UP

The Department is continuing to review the assignment of PCAs to funding sources to ensure the correct matching of expenditures to federal grants. We will review controls over this process during the fiscal year 2011 audit.

STATUS – OPEN

FINDING 2010F-11

Public health district sub-grantee contracts are not monitored in compliance with federal requirements.

We recommend that the Department establish adequate monitoring requirements in these contracts to allow proper monitoring of the costs submitted by each health district and to implement a financial monitoring process to ensure that reimbursed costs are allowable to federal grants and comply with the terms of the contract.

The Division of Public Health (DPH) has implemented improvement processes in its contract monitoring practices. With consultation from internal audit, the newly hired business analyst has assessed contract program monitoring and contract fiscal controls. Contract scope of work language requiring contractors to submit detailed quarterly financial reports and documentation of position, title, role, and number of hours worked, as well as detailed operating expenses associated with the contract activities, has been implemented into Public Health Preparedness contracts for fiscal year 2011.

By October 2011, and in consultation with internal audit, the business analyst will conduct a pilot financial monitoring project for fiscal year 2010 of the Public Health Preparedness Program. The pilot will develop protocols and tools to conduct financial monitoring site visits. The financial monitoring protocols and tools will include review of contractor protocols, performance measures, cost billing practices, review of additional fiscal back-up documentation (such as time sheets, invoices, etc.). Once the pilot project is completed and approved by DPH administration, the business analyst will work with bureau chiefs and program managers to implement the annual contract financial monitoring protocol and improve overall program and financial contract monitoring protocols throughout DPH.

STATUS – CLOSED

SUPERINTENDENT OF PUBLIC INSTRUCTION, OFFICE OF THE**FINDING 2010F-12**

Federal funds are not requested within the required time frames.

We recommend that the Office comply with the terms of the CMIA agreement while seeking to amend the agreement to more accurately represent the flow of cash for federal program disbursements. We also recommend that the Office consider establishing a consistent disbursement schedule to simplify the process and improve compliance with federal cash management requirements.

AUDIT FOLLOW-UP

The Office has aligned its current draw request schedule to match the average clearance pattern stated in the agreement. The Office is also working with the Division of Financial Management to review the actual clearance patterns and to modify the current Cash Management Improvement Act (CMIA) agreement to better match the actual clearance of funds.

STATUS – CLOSED

FINDING 2010F-13

Internal control weaknesses exist in the preparation of several federal reports and an allocation of Title II Teacher Quality funds to school districts.

We recommend that the Office review internal controls over the preparation of data, reports, and allocations and strengthen the process to ensure that information and funds being disseminated from the Office are accurate and complete.

AUDIT FOLLOW-UP

The Office has reviewed each of the four areas of concern in this finding with the appropriate program staff. They have implemented additional review processes for reporting. Program staff is using a combination of initial reviews by supervisors, reviews by cross-trained counterparts, and exception reporting reviews by supervisors to verify the accuracy of reporting.

STATUS – CLOSED

VOCATIONAL REHABILITATION, IDAHO DIVISION OF

FINDING 2010F-14

Federal funds in the amount of \$1.8 million were drawn early due to errors in the draw process.

We recommend that the Division draw federal funds in accordance with the CMIA agreement and adjust the process so that the same costs are not claimed to both the Social Security Administration and the federal grant program. The Division should contact the federal grantor to resolve the surplus federal funds on hand and the resulting interest liability.

We also recommend that the Division seek to amend the CMIA agreement to more accurately reflect the flow of federal funds and consider establishing a consistent disbursement schedule to simplify the process and improve compliance to federal cash management requirements.

AUDIT FOLLOW-UP

The Division discontinued making draws on \$1.5 million of grant expenditures to immediately reduce the federal cash on-hand and began reviewing all federal cash draws in FY 2010 and FY 2011 to ensure the accuracy of the amounts. Once this process is completed, the Division will work with the federal grantor to resolve any interest liabilities.

STATUS – OPEN

FINDING 2010F-15

Federal financial reports are not supported by the Division's accounting records.

We recommend that the Division properly support all data reported to the federal grantor by fully documenting the process and spreadsheets used to develop the reports. We also recommend that the Division reconcile this data to the amounts recorded in STARS to ensure that amounts reported and included in the statewide Single Audit are supported and accurate.

AUDIT FOLLOW-UP

The Division is in the process of restructuring its accounting processes and moving all reporting functions from an internal system to the statewide STARS accounting system. It is the Division's intent to have this process completed for FY 2012.

STATUS – OPEN

FINDING 2010F-16

Additional services provided to clients are not documented as required.

We recommend that the Division document the costs of services as required by federal requirements and obtain written agreements from clients for all additional services provided. We also recommend that the Division contact the federal grantor to resolve the potential questioned costs.

AUDIT FOLLOW-UP

The Division discontinued the practice of providing additional services to clients effective March 2011. The Division will resolve potential questioned cost amounts with the federal grantor.

STATUS – OPEN

FINDING 2010F-17

The indirect cost rate is not supported, and amounts are claimed twice in error.

We recommend that the Division calculate the indirect cost rate plan in accordance with federal regulations (OMB *Circular A-87*) and include all expenditures of the Division in the base. We also recommend that the Division develop procedures to exclude costs recovered through the indirect rate from the amounts claimed as direct costs, and contact the federal grantor to resolve the potential questioned cost amount.

AUDIT FOLLOW-UP

The Division hired a contractor to develop an appropriate indirect cost rate plan for FY 2012 and to review prior plans to identify errors in the amounts recovered. Once the review is completed, the Division will resolve any questioned cost amounts with the federal grantor.

STATUS – OPEN